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Chair

The Honourable Wayne Easter

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● (1240)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order.

I'm just amazed at how you can quiet down a room. Do you have a special technique?

Hon. Bill Morneau (Minister of Finance): At my house, it doesn't work that way.

The Chair: Okay.

As everyone well knows by now, we're dealing with the statutory review of the Proceeds of Crime and Terrorist Financing Act. I think the minister knows that we've heard from a lot of witnesses and done a fair bit of international travel as well on this subject. The last witnesses, at least for the moment, will be the minister and others from the Department of Finance.

Minister of Finance Morneau, welcome.

I will remind committee members that we are sticking to this subject today and that we're not going off onto other subjects. It is the Proceeds of Crime and Terrorist Financing Act, and that's where we are sticking.

Mr. Minister, with you is Annette Ryan, Associate Assistant Deputy Minister, Financial Sector Policy Branch. Welcome as well, Annette.

The floor is yours, Minister Morneau.

Hon. Bill Morneau: Thank you, Mr. Chair.

With that introduction, I guess I'm happy I brought this speech and not another speech.

The Chair: Yes.

Hon. Bill Morneau: Thanks to all of you for giving me the opportunity to speak with you today about the parliamentary review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

I want to start by thanking the committee for taking the time to review the administration and the operation of the act. I know that members of this committee take this issue very seriously, and I just want to reinforce that the government does as well.

We appreciate—and speaking for myself, I appreciate—the serious effort of the committee to study this complex issue, to listen to valuable contributions from a wide variety of witnesses, and to work on recommendations for the government to consider.

[*Translation*]

As you know, the government has been working for almost three years to make investments that will cause the economy to grow, strengthen the middle class and provide genuine assistance for those who are working hard to join it.

We have also worked hard to make our tax system fair for all Canadians. In simple terms, the economy cannot work for everyone when not everyone pays their fair share.

[*English*]

After all, the taxes that we pay as Canadians help to provide the services that we all rely on to give us a good quality of life. Taxes help us to build the infrastructure to get our goods to market, infrastructure that helps to sustain good, well-paying jobs. Of course, the taxes we pay help to set broken bones and to push cancer into remission across the country. They help to pay for the programs and services for people who help to keep Canadians in Canadian communities safe.

It is vitally important to all of us that everyone pay their fair share. That's why we are continuing to take steps to continue to fight tax evasion and tax avoidance. We recently tabled a motion to introduce legislation that would enact an international convention known as the Multilateral Instrument, or MLI, into Canadian law. The MLI is aimed at countering tax avoidance strategies that lead to base erosion and profit-shifting, in which businesses and wealthy individuals use tax treaty loopholes to inappropriately shift profits to low-tax or no-tax locations to avoid paying taxes. This is an important tool for us in combatting aggressive international tax avoidance.

By making sure that everyone pays their fair share, we can continue to safeguard our ability to invest in the programs and services that we know Canadians deserve. That's also why we're actively engaged in complementary efforts through the G20 aimed at combatting international tax evasion and aggressive tax avoidance, including strengthening beneficial ownership transparency for corporations and trusts.

We're also working with our international partners within both the G7 and the wider international community on a range of fronts to combat money laundering and related risks, including terrorist financing. This work includes legislative and regulatory amendments, risk assessments, evaluations, and contributions to international efforts through groups such as the Financial Action Task Force, or FATF; the United Nations; the G7; the G20; and the Counter ISIL Finance Group.

This past April, I had the opportunity to speak at the No Money For Terror conference convened by President Macron in Paris, where ministers from 70 countries came together to discuss the evolving and complex challenges that need to be met to cut off terrorists' access to funds. These efforts help to keep Canadians safe, and of course we are proud to do our part.

Also important to the government is making sure that the growth we achieve works for everyone, not just for the most wealthy. This was a central theme of the recent G7 meetings and continues to be a priority going forward.

[*Translation*]

It is important to mention that the objective of growth that works for everyone cannot be achieved in isolation. To reach that goal, a number of factors must be in place.

We have to have solid democratic institutions, an open and stable economy, and an accessible and advanced financial system. We are fortunate to have all those factors here in Canada.

[*English*]

Unfortunately, these strengths can sometimes make us a target for those seeking to launder the proceeds of crime, or to raise, transfer, and use funds for terrorist purposes. To complicate matters even more, money laundering and the financing of terrorist activities are crimes that facilitate and reward the commission of other crimes, compromising the safety and security of our communities. They also compromise the affordability of our communities.

We know that money laundering has the potential to cause distortional effects in local housing markets, contributing to making some communities simply unaffordable for many Canadian families. We need to stop this. Canada's anti-money laundering and anti-terrorist financing regime should marshal every tool at its disposal to detect, stop, and prosecute these illicit activities.

Of course, we in Canada are not unique in this regard. Countries around the world are working hard to detect and deter financial crimes. We can learn a great deal from the efforts of others. I know that members of the committee have taken on this challenge, travelling to the United Kingdom and the United States, two of our Five Eyes intelligence alliance partners, to learn more about what has worked in those jurisdictions when it comes to cracking down on money laundering and terrorist financing.

Here at home, I understand the committee has made time to hear from a broad range of Canadian witnesses who have a stake in ensuring that money laundering and terrorist financing are not perpetuated on their watch. They included leaders from provincial governments, members of law enforcement, privacy and transparency experts, and those working in the private sector representing financial institutions, legal and other professional associations, and realtors, as well as other reporting entities. This sort of co-operation is important, as money laundering and terrorist financing are often complex and the techniques that are used are often very sophisticated.

Those who finance crime and terrorism exploit the fact that these crimes know no borders. In many cases, these persons have been able to evade the attention of authorities, effectively protecting those who benefit from their illegal activities.

● (1245)

[*Translation*]

An effective, global response has to be balanced, flexible enough to respond to new challenges, and well coordinated. That is where Canada's anti-money laundering and anti-terrorist financing regime that the government has established comes into play. Using major tools that allow us to detect, discourage and prevent money laundering and the funding of terrorist activities, the Regime is designed to protect the integrity of our financial system and ensure that Canadians are safe.

[*English*]

The regime is effective and consistent with international standards, but that doesn't mean there isn't room for improvement. As a government, we're mindful of the need to protect the rights of Canadians and the need to respect the division of powers between the federal and the provincial or territorial governments while also minimizing the burden on the private sector.

We know there's a delicate balance to be achieved here. I encourage the committee to consult with those who can speak to how we can improve Canada's anti-money laundering regime while protecting the rights of Canadians. Our privacy commissioner, for example, would be a key person to consult on this issue.

The unfortunate reality is that criminals are always finding new ways to exploit the financial system and to use legitimate businesses for criminal purposes. We need to match their creativity with our resolve. Since the last review was completed in 2013, the environment in which money laundering and terrorist financing take place has evolved considerably. I know that five years seems like a short span of time, but we need to consider what has changed. There's been significant growth in complex financial products, including virtual currencies that provide anonymity to their users. There has also been broader adoption of emerging financial technologies, such as mobile banking, that are changing the way Canadians access the financial system.

In recent years we've seen the continued use of complex legal and corporate arrangements that may be used to conceal the proceeds of crime and the true ownership of companies. There have also been improvements to digital identity recognition that can help better protect the identities of consumers.

[*Translation*]

It is worth remembering that the government relies on major partners in the fight against money laundering and terrorist funding activities. In Canada, companies have an essential role to play too. That is why the awareness and compliance activities conducted by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) are crucial.

I know that the committee has heard of the importance of providing user-friendly training, and of the need to simplify the task of Canadian companies in fulfilling their obligations. I hope that the committee will take those recommendations seriously and will consider what more we can do to reduce the burden on the companies.

[*English*]

Similarly, regime partners within government need to continue to work together to ensure that policy and operations are well integrated so that we can most effectively counter new threats as they emerge. We cannot effectively combat money laundering and terrorist financing without good collaboration between reporting entities, national security agencies, and federal, provincial, territorial, and municipal law enforcement.

At the same time, while it's important to have quick and reliable exchanges of information among regime partners, it's also essential that collectively we respect the rights of Canadians, including their privacy rights, rights guaranteed to Canadians through the Charter of Rights and Freedoms. Privacy and the protection of personal information is very important to the government. That's why reports required by the act we're discussing today go to FINTRAC, not directly to law enforcement. Reports and other information submitted to FINTRAC, whether about suspicious financial transactions or about the cross-border flow of funds, are subject to independent review and analysis by the agency. Numerous checks and balances have been built into the regime, including those that ensure FINTRAC's independence and impartiality for law enforcement or national security investigations.

I know that you've heard from the Privacy Commissioner and other witnesses, who remind us that these checks and balances are there to protect the privacy rights of individual Canadians. I'm looking forward to all your recommendations, but in particular to your advice on how the regime can be more effective at combatting money laundering and terrorist financing while reducing the burden on business and continuing to respect the individual rights and freedoms of Canadians.

As we consider our next steps, we also need to look for ways to close the legislative and regulatory gaps highlighted in 2016 in Canada's mutual evaluation report by the Financial Action Task Force in addition to dealing with the many issues raised by stakeholders and our regime partners. One such gap has to do with the collection of and access to beneficial ownership information, information on who truly owns corporations in Canada. As you know, the government is already working hard in collaboration with provinces and territories to improve the availability of beneficial ownership information. This is proof of the value of a collaborative approach when taking on complex problems.

Another issue on reporting entities that has been identified relates to legal professions not being part of Canada's regime. We know that a recent legal decision form the Supreme Court of Canada ruled that some of the provisions of the act relating to lawyers are unconstitutional. We understand that there are risks posed by not having legal professionals as part of Canada's anti-money laundering and anti-terrorist financing regime. In that regard, we're open to your suggestions on how to better integrate legal professionals into the regime in a way that's constructive and respects the court and its decisions.

Both these gaps, the ones relating to beneficial ownership information and to legal professionals, are evident in the real estate sector, which is vulnerable to tax evasion and money-laundering schemes, given the number of large financial transactions that take place in this market.

At the federal level, both FINTRAC and the Canada Revenue Agency have increased their activities to improve compliance with anti-money laundering and tax obligations, but more needs to be done. As you know, there are other areas of emerging activity by money launderers and terrorist financiers, such as crypto-assets and trade-based money laundering, that the government is also working to address. I look forward to hearing your advice on these issues.

Mr. Chair, before I wrap up, I'd like to assure the committee that these concerns, money laundering and terrorist financing, are concerns that the government takes very seriously. To put it bluntly, these things are a threat to the safety and security of Canadians, and the government knows that keeping Canadians safe has to be a top priority.

● (1250)

[*Translation*]

Once again, I must thank the committee for the hard work it has done to keep Canadians safe. I am grateful for the meticulous and thoughtful work you have brought to this complex topic and I look forward to receiving your recommendations very shortly. As I receive them, I will be sincerely grateful for the broad scope of the task you have undertaken.

Thank you for giving me the opportunity to make these comments today. I will be very pleased to answer your questions.

[*English*]

The Chair: Thank you very much, Minister.

We'll go to five-minute rounds to try to get everybody in.

Mr. Fergus goes first.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you, Mr. Chair.

Mr. Minister, Ms. Ryan, thank you for joining us today.

Mr. Minister, the open way in which you say you want to tackle this problem is inspiring for me. I believe that there is a rare unanimity among members of the committee in agreeing that the recommendations will have to push the limits a little. So we will be going a long way.

[*English*]

Mr. Minister, I heard you say that we need to marshal every tool at our disposal to detect, stop, and prosecute proceeds of crime from money laundering and terrorism financing. There's room for improvement, you said, but you also pointed out quite correctly that there are some issues: the division of powers in our country in terms of the federal-provincial relationship, privacy concerns, and the constitutional right to protect solicitor-client privilege. We understand all that, but I must tell you, after seeing and speaking with our witnesses and after having an opportunity to see what's being done in other jurisdictions such as the United States and the United Kingdom, that I do think there is a lot of room for improvement in how we organize ourselves.

One of the key aspects of it, Minister—and I'd love to get your initial thoughts on this—is transforming the relationship that FINTRAC has not only with the financial institutions that submit their suspicious transaction reports, but also with with law enforcement agencies or other government agencies. This is about transforming that relationship so that rather than a one-way relationship, which is how it seems to work, it's a direct relationship into FINTRAC.

There's no opportunity for the financial institutions to get regular and more precise feedback. Actually, there's no opportunity legally for financial institutions to have a more detailed conversation among themselves as to any suspicious activities that they've identified.

I'm wondering how you would feel about transforming FINTRAC's one-way relationship into more of a dynamic dialogue with financial institutions.

● (1255)

Hon. Bill Morneau: Let me start by acknowledging again, as you've noted, that there's always more to do in this regard. This area is one where the bad guys are spending time and money to try to evade laws in our country and in countries around the world. It's heartening to hear that there's unanimity around this table for those efforts. We do need to remain vigilant.

Around FINTRAC, what I would hope that the committee will come forward with your reflections, after having met with witnesses, on potential areas for improvement. We need to be constantly considering how we're currently doing things and ensuring that we're having the impact we want while respecting the laws that protect Canadians.

In the course of that consideration, we'll have to think first and foremost about privacy laws and balancing the need for privacy versus the need for back-and-forth between institutions, if that were the case, or between FINTRAC and the institution. We also will need to consider that the organization charged with policing sometimes has a requirement for the relationship to be governed in a particular way.

I don't have the answer. I'm anxious to hear your observations on how things can be improved, and I'm open-minded.

The Chair: You have less than half a minute.

Mr. Greg Fergus: I'll go very quickly. On the issue of beneficial ownership registry and the negotiations with the provinces, what would be your best guess as to how quickly we can have a national registry? What's the best guess for having an agreement with the provinces on sharing information on beneficial ownership?

Hon. Bill Morneau: This has been—and I think I have a very short period of time—a very positive file. If someone else has a question, I'm happy to go into more detail. We already have agreement—

Mr. Greg Fergus: You have more time than I do.

Hon. Bill Morneau: —that we're working with provinces in this regard. The provinces have said that they will work with us to make sure that they do get beneficial ownership information available. Then the question, and I'll be anxious to hear the committee's report, is how we make sure that that is a dynamic process that gets us the right information to satisfy our goals of ensuring that we don't have problematic behaviour.

The Chair: Thank you both.

Mr. Albas is next.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair.

Minister, you've recently made changes to the Criminal Code in regard to the money-laundering regime we have here in Canada, and it was not the Minister of Justice who did that. Effectively, you've made it possible for big corporations to get a "get out of jail" card for money laundering.

Why do you think that this makes Canadians safe?

Hon. Bill Morneau: Perhaps you could provide more detail on how you've come to this conclusion.

Mr. Dan Albas: In Bill C-74, division 20, you've made a change that includes a schedule in the Criminal Code that includes money laundering that gives, effectively, large corporations a "get out of jail" card. Do you not remember your own legislation?

Hon. Bill Morneau: How is it that you see this gives an organization a "get out jail free" card? That is what I'm trying to understand.

Mr. Dan Albas: A deferred prosecution agreement basically allows them to not actually have any consequences in a court of law for cases of proven, found money laundering. It's your legislation, Minister. How does that make Canadians safer?

Hon. Bill Morneau: I think there may be a fundamental misunderstanding on your part of what we're trying to achieve here.

We recognize that when organizations are found to be offside with the laws, they should be held to account, and they should be held to account for their actions in a way that ensures we protect Canadians. That is what we're trying to achieve. We want to make sure that as we do that, we have a method that gets those organizations to pay the price of their criminality or their bad behaviour and that doesn't in any way negatively impact their employees or other unwitting people who happen to work in those organizations. Moving forward with a deferred prosecution agreement approach—an approach taken, as you probably know, by other countries, including the United States and the United Kingdom, as two good examples—we think it is a prudent way to ensure that we have companies pay the price for any wrongdoing in a way that allows us to ensure that our economy continues to be successful and that the people who are legitimately responsible for the bad behaviour pay a price, as opposed to people who aren't, such as people who are unwittingly employed by firms that have had that bad behaviour. We think it's a good approach.

● (1300)

Mr. Dan Albas: Not allowing this legislation to be studied by the justice committee—actually, the amendment was made at clause-by-clause study, Minister—meant we didn't actually get to see the justification from your government on that. I'm very disappointed that you just simply can't explain exactly why this measure makes Canadians safer.

However, I am going to go back to the line of questioning on beneficial ownership. You are working with the provinces—that's good—to create a registry. Obviously, both the provincial governments and the federal government have access to that. Does that include the CRA?

The Chair: Mr. Minister, do you want to complete your other answer first? I don't think you quite completed it—

Mr. Dan Albas: Do I have time?

The Chair: Yes, you have time—and then go to this one.

Hon. Bill Morneau: I'm fine with just responding to this approach.

Go ahead.

Ms. Annette Ryan (Associate Assistant Deputy Minister, Financial Sector Policy Branch, Department of Finance): If I may, Minister, the registry does not yet exist. The agreement among ministers would have corporations hold beneficial ownership as per changes to federal and provincial/territorial corporate statutes, and we will continue the discussions in terms of the merits of different types of registries.

Mr. Dan Albas: In such a registry, would the information be made available to the CRA? It's a very simple question.

Hon. Bill Morneau: Well, as I think you just heard, that's not currently something that's happened. We are going to continue our discussions with the provinces to make sure the information is available in a way that will allow us to have the desired impact.

Mr. Dan Albas: Well, you're talking about dealing with tax evasion, Minister. You're talking about being able to deal with these things. It's a pretty simple question. Why would you have a federal registry for beneficial ownership if it wasn't available to the CRA?

Hon. Bill Morneau: I don't think we want to get ahead of ourselves. Clearly—

Mr. Dan Albas: Okay.

Hon. Bill Morneau: —being collaborative with the provinces means that we actually have to work with them to get to the conclusions.

Mr. Dan Albas: Well, we already collect taxes from many provinces, but we'll just keep going on, then.

The Chair: Let the minister finish his answer first.

Mr. Dan Albas: Well, he—

The Chair: No. You'll have time.

Hon. Bill Morneau: The background to this decision is obviously to make sure we have the kind of information we require in order to effectively govern our laws. That means governing our tax laws, which means the CRA is likely to be involved. However, we want to do this in collaboration with the provinces and get to the answer appropriately.

Mr. Dan Albas: Okay. Well, again, Minister, I'd also like you to keep in mind that not only would CRA have that access so that it could deal with some of the tax evasion you're dealing with here, and the provinces obviously want to work on that, but also I think it would help with our regime here in Ottawa. Obviously we all submit to the Ethics Commissioner information about our assets and whatnot, and you might find it easier for public office holders to let the Ethics Commissioner know all of their assets so that nothing is overlooked. I would hope you would consider that for further public office holders.

The Chair: Is there no further response there, Minister?

Hon. Bill Morneau: No, I don't think there was a question.

The Chair: Okay.

Go ahead, Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

Thank you for being here today, Mr. Minister.

I would like to go back to the beneficial ownership as well as to the discussion that you have had with the provinces, which led to an agreement to at least make company information accessible, at the request of the authorities.

Are you discussing future measures?

In its discussions with the provinces, does the federal government support a public registry?

● (1305)

Hon. Bill Morneau: As you know, we are currently working with the provinces to make sure that we have the information we need. In our opinion, that objective is crucial. About 2½ years ago, I began to work with the provinces to find a solution. About 7% of companies are federal, meaning that the others are registered in the provinces. That is why it is necessary to work with the provinces to find a solution.

We do not yet know exactly how that will be considered. Some people feel that a public registry is necessary, while others feel that it is possible to achieve our objectives and to improve the situation by using methods that are slightly different from those in other countries. Together with the provinces, we are in the process of considering the approach we will use.

Mr. Pierre-Luc Dusseault: When you have discussions with the provinces, are you there just to listen?

Hon. Bill Morneau: I will consult your committee's report and consider your advice. We will continue the discussions in order to find a solution that works.

Mr. Pierre-Luc Dusseault: In addition, and closely related, the structures are more and more complex. In fact, as you have pointed out yourself, companies are structured so as to connect to companies all around the world.

What are you doing to make sure that there is a registry of, or of some form of access to, the beneficiary ownership in foreign companies?

I am afraid that the efforts Canada is making are somewhat in vain. The structures are now using foreign companies that are not subject to the same rules of beneficiary ownership. I am afraid that, in Canada, the registry will basically be useless. Dishonest people will resort to complex structures designed to conceal the beneficiary ownership.

How can we arrange for all countries to come together to jointly use a registry of beneficiary ownership so that the dishonest people can be prevented from using structures overseas?

Hon. Bill Morneau: It is difficult to find a way of improving our situation. We have been working with other OECD countries to make sure that agreements can improve the situation.

As you know, we have done two significant things in the last two years: we have adopted the common reporting standard, which gives us access to information in other countries, and we have signed the base erosion and profit shifting agreement to ensure that countries cannot find places where taxes are very low and where nothing will be taken from their profits.

Ms. Ryan, do you have anything to add?

Ms. Annette Ryan: We are also working with our partners in the financial action task force on money laundering, or FATF, where the goal is also to combat money laundering.

[*English*]

The Chair: You may have a short question.

[*Translation*]

Mr. Pierre-Luc Dusseault: Another topic came up more than once in our discussions with the witnesses. It seems that the matter of real estate values in at-risk areas is not mentioned in the discussion paper you published in February 2018. Witnesses told us that Canada is perhaps an at-risk area, but that it had not been mentioned by the Department of Finance or in the testimony.

Perhaps you would like to adjust your position and specify that money laundering may pose some danger for real estate values.

Hon. Bill Morneau: Your report is very important for us. It will allow us to understand the challenges we are facing and the way things are done in other countries, as well as the risks for the future. In our opinion, it is important for us to consider it.

● (1310)

[*English*]

The Chair: Thank you very much to both of you. We did hear a lot on securities when we were on our travels, so I expect there likely will be something on that.

Go ahead, Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Welcome this afternoon, Minister.

We've probably heard from over a hundred witnesses here on this study that we've been doing, and a number of agencies have come in. I have to say that on our travels to New York and Toronto, and for those who travelled to London, the feedback was definitely.... Listening to and hearing from the agencies outside of our wonderful country and the granularity that they provided was a really positive thing for us. The information, the granularity, that was provided was very welcome, whether it was FinCEN, the Department of Justice, the Treasury, or the New York State Office of the Attorney General, and I think it will make our report even better. I sometimes wish we received that sort of granularity from our own agencies, but nonetheless we have heard from a lot of people.

The one question I have has to do with the article that came out in *The Hill Times*: "Feds float idea of beneficial ownership registry as House Finance Committee reviews anti-money laundering law". Part of that article stated that Canada was viewed as "behind on corporate transparency".

Through your leadership in sitting down with the provinces in December 2017, we came to an agreement to strengthen beneficial ownership transparency. Minister, my question is this: how are we doing in Canada, and what measures are we undertaking to take the veil off the view that Canada is behind on corporate transparency?

Hon. Bill Morneau: I think we should start by acknowledging that our structure for corporate registrations in Canada presents particular challenges. The fact that we have registration both provincially and federally and that we have those registrations across the country means that we have an important challenge that we need to overcome. It would certainly, all else being equal, be easier if we had one approach to registration, but that's not the reality that we face.

As we contend with people's assertions—and I didn't see the article that you were referring to—that we're not doing as much as we should, we need to recognize that there's more to be done here. We do need to get this information, and it's the only way for us to deal with some of these challenges. That is exactly why we've been focused on this from the beginning.

I will say that the provinces have not been reluctant. We have 10 provinces and three territories, and it's not always easy to get agreement on everything, but we've had agreement on this issue. Provinces differ in their ability to be speedy in doing their work, so it can't always happen quite as quickly as we might like. We're going to stay on top of it. Our view is that getting the information and making sure that the information is accessible to the appropriate authorities at the time they need it is critically important. We've made progress. We're not there yet, but we're going to keep on it.

Mr. Francesco Sorbara: The issue of beneficial ownership obviously came up a number of times within the study. It's also an issue in the United States. They're having to deal with it. They have the same issue that we have.

For example, someone can buy a condo in New York City for a hundred million dollars, but no one knows who the condo purchaser is or where the funds were received from. You can use the example here in Canada of *peut-être* someone buying a house in West Vancouver or in Toronto, paying several million dollars for it, putting it in a corporation or a trust, and you will never know who the purchaser is or where the funds were received from. I think the December agreement is a big first step in getting to some sort of registry. You can quibble on the details on whether it should be public-private and so forth.

With regard to the December agreement, in point 3 there was a date of July 1, 2019, by which these legislative amendments to a number of statutes on beneficial ownership transparency would come into force. Is there any sort of update on point 3 in the December agreement?

● (1315)

Ms. Annette Ryan: The work with provincial and territorial partners is very much on track. We've worked through the technical details and done targeted consultations, and we'll bring it to ministers next week at your meeting.

The Chair: Okay.

Go ahead, Mr. O'Toole.

Hon. Erin O'Toole (Durham, CPC): Thank you, Mr. Chair.

Thank you, Minister. It's nice to see you at the committee.

My question is going to relate to the "No Money for Terror" conference. I guess you were there, alongside most of the other G7 and G20 finance ministers.

Were you a signatory to the joint declaration that came out of the conference?

Hon. Bill Morneau: To my recollection, no signed document came out of that conference.

Hon. Erin O'Toole: It was a joint statement. I might be overstating it.

The reason I ask is that the first element coming out of that conference was a priority, and I'll read it to you:

> (1) Further reinforcing the domestic legal and operational frameworks to collect, analyse and share information by national authorities

This week Bill C-59 passed and actually took away that information-sharing ability for relevant national security information with changes to the Security of Canada Information Sharing Act, so we don't seem to be meeting the lofty goals of the conference in terms of terror financing.

Hon. Bill Morneau: We will continue to work to ensure that we get the information required for the work we're trying to achieve. I can tell you that it will be a continuing focus of our government. We see that there are some very important steps that need to be taken right now.

Appropriately, we've been talking about beneficial ownership, which is an aspect that we think is critically important and, as was pointed out, is quite murky.

Hon. Erin O'Toole: I'm not asking about that, Minister.

We're looking at a situation that we heard about in London. Banks and financial institutions share information among themselves and, through JMLIT, the Joint Money Laundering Intelligence Taskforce and other sources, share it with the public sector. In Canada we're actually taking away the ability for public authorities to share this same information when it comes to terror financing and money laundering. Why would we trust the financial institutions to share among themselves, and not trust departments of the federal government?

You're aware that the Canadian banks are asking for this information-sharing ability in Canada.

Hon. Bill Morneau: I'm sorry. I missed your point.

Hon. Erin O'Toole: We've heard that our partners, the other countries that were at the French "No Money for Terror" conference, are enhancing their information sharing among government departments. Bill C-59, which passed this week, detracts from relevant information sharing. Why are we going in an opposite direction to our allies and partners in the G20?

Hon. Bill Morneau: As I'm sure you can appreciate, all the countries that were in that meeting have different approaches to ensuring that we have appropriate data flow in our countries.

In our country, we think that FINTRAC is an important institution that allows for the passage of information from our financial institutions to the federal government. We will always seek to balance the important safeguards around Canadians' privacy with the importance of getting this information. That will be a continuing focus.

Hon. Erin O'Toole: Let's leave aside FINTRAC, because one of the things security experts say is that siloing of information often leads to money laundering or terror financing. We see information sharing in the global community and, potentially from this hearing, financial information sharing between institutions, but we don't seem to trust the agencies of our own government.

Is there some reason you removed that ability in Bill C-59?

Hon. Bill Morneau: As I've said, we believe the approach we've taken is one that allows us to get the information. It allows us to also ensure that we protect Canadians' privacy. It's always going to be a fine balance.

Hon. Erin O'Toole: In your introduction you used very fiery language, and Greg quoted it. You said we should marshal every tool at our disposal.

You're actually taking away a tool that agencies within the federal government needed to use to stop terrorism financing. How is it marshalling tools if you are taking tools away?

Hon. Bill Morneau: We'll be happy to get the committee's recommendations and ideas on how we can at the same time consider how we combat money laundering and terrorist financing while protecting Canadians' financial information.

The approach we're going to take, which I think all of us as parliamentarians appreciate, is to balance those two important issues.

● (1320)

The Chair: We'll have to end it there.

Ms. O'Connell is next.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for being here.

Following up on Mr. O'Toole's point, we heard the opposite point being made by our own officials, that funding for this level of departmental investigation was cut under the previous government and is only now being restored with new funding. I find the sudden concern over siloing quite interesting, when the previous government specifically cut the department that led to these types of investigations. That's in testimony that I'm sure will be included in the report. I'm sure a recommendation will be coming that will talk about the reinvestment after the previous government's lack of commitment to dealing with money laundering and anti-terrorism financing.

I don't have specific questions on some of the things we've heard, because this committee still has work to do in formulating our recommendations, but one of the areas we heard about that was of some concern to me—and it was brought up by Mr. Fergus earlier—was information sharing among banks or the information of FINTRAC and the flow-through process. In the U.S., FinCEN seemed to have a very interesting program that any law enforcement agencies or prosecutors could access in certain states. One of the benefits was there seemed to be a real sense of value in that information.

My concern in some of the information sharing among banks is that banks aren't technically allowed to do that right now, but the enforcement side is a very small community and they're sharing that information informally among colleagues anyway. The worry that I have—and I think we have to have this conversation—is banks taking the approach of de-risking. They're so afraid of regulation or penalties that they would rather maybe de-risk or de-bank some clients among themselves.

In this country, do we need to have that conversation around people being entitled to a bank account. Banks, being so afraid of penalty, de-bank someone, and a Canadian who has done nothing wrong now has no access to a bank account. Quality reporting from banks is an area where we need to do some thinking. Yes, they should be afraid of penalties, but not so afraid they just get people out of the system who have never done anything wrong. Among themselves, through informal channels, they are deciding it's not worth the risk, and they de-bank some individuals.

I don't know if this is a discussion you've had, but it's an area where I think we need to do some serious thinking. Do you have any initial thoughts, or not? I can go to another area as well.

Hon. Bill Morneau: I think you point out an issue that we'll be happy to hear about from the committee. Obviously if we are focusing on getting information and curbing bad behaviour, there are consequences. I think we need to carefully consider our objectives and the consequences.

Ms. Jennifer O'Connell: Thank you.

In regard to Canada's international reputation, we did hear a different level of discourse from witnesses here, from our own agency officials, which is interesting. There's no question that our officials are doing a good job and our systems are working, but I think the issue of money laundering and terrorism financing has certainly changed, which you pointed out, and there is a lot of work to be done. I worry that Canada's reputation as a good place to launder money might be growing. We're seeing correlations—and this is what we heard from testimony—that the human traffickers and then the drug runners come where the money launderers are. The money launderers don't care who they're laundering for, and that seems to be the client base.

From this committee's perspective on the changes and the investments to move our system to where a lot of other countries are, is that commitment in your department as well as Public Safety? That's what we certainly saw in the U.S. and the U.K. It's a joint program between their equivalents of the Department of Finance and Public Safety. Have you given any thought to maybe bringing them into the fold, not just on a committee discussion basis, but as overseers of the policy formation process for any reviews moving forward?

● (1325)

Hon. Bill Morneau: We do think that working together with different areas of government is critically important in this area. We already have the Department of Public Safety engaged in our efforts on how we can make sure that we're getting the appropriate information.

We're not moving forward just in the area that you're talking about here. We're also recognizing that some of the other key areas of risk—cybersecurity being a very obvious one that relates to this issue because of how information can flow—are critically important, and that's demonstrated through the kind of funding we put towards that this year, funding that was very well received by the banking community. It's something that we've been looking at together with the banking community over the last number of years.

Ms. Jennifer O'Connell: Thank you.

The Chair: We'll have to end it there.

Mr. Kelly is next.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): The director of FINTRAC, when appearing at the committee, talked about the administrative burden of FINTRAC and her stated goal of reducing the administrative burden of compliance. Do you support the director in that?

Hon. Bill Morneau: I think that we constantly have to be thinking not only about our objective of ensuring we have the information but also about making sure that businesses aren't inappropriately burdened with administrative complexity.

Mr. Pat Kelly: We've heard that compliance is a huge burden on various industries, including real estate, which you identified in your opening remarks. We've also heard that some of the reporting requirements seem arbitrary and don't target suspicious activity, merely activity that meets a threshold. Do you support addressing this issue and ensuring that we target suspicious behaviour, rather than just meeting threshold targets?

Hon. Bill Morneau: I think it will be important for us to hear back from the committee, so if the committee has observations on the kind of information that's being currently asked for and the approach to doing that, we'll be pleased to take those thoughts into consideration.

Mr. Pat Kelly: In your response to Mr. Albas's question—I want to make sure I understood you correctly—you said you support the goal of establishing a beneficial ownership registry. Is that correct?

Hon. Bill Morneau: I've made clear over a period of years that we need to have the understanding of the beneficial owners of corporations and trusts in our country.

Mr. Pat Kelly: Should this be publicly accessible, or if not publicly, then by whom?

Hon. Bill Morneau: This is an area where we are, as I said, working with the provinces to make sure the information is available. Ensuring that the information is available is the first step. Obviously having this information is what will enable us to—

Mr. Pat Kelly: We'll have it, though. What would be your recommendation of the type of registry that's established? Should it be publicly accessible or not?

Hon. Bill Morneau: We'll continue to work with the provinces to get to a conclusion that will be able to be engineered for the entire country. Again, I'd be happy to hear from the committee on your ideas based on the insights you've gained from your witnesses.

Mr. Pat Kelly: You have an opportunity for your own input now. You can tell us what you prefer.

Hon. Bill Morneau: Yes, and I will have continuing opportunity for input, as you can imagine.

Mr. Pat Kelly: Would the CRA have access to this registry?

Hon. Bill Morneau: We clearly are seeking to make sure that we have information on organizations so that we can ensure that they're compliant with our tax laws, so that is obviously the intent.

● (1330)

Mr. Pat Kelly: Would the Ethics Commissioner have access?

Hon. Bill Morneau: If you have recommendations for us in terms of the information and where you think it should be accessible, we'll be happy to listen to that. We'll always have to balance the issue of privacy against the issue of the accessibility of that information and the reasons for the information.

Mr. Pat Kelly: Do you have any thoughts on where the balance between privacy and the public interest might lie with politically at-risk people like parliamentarians?

Hon. Bill Morneau: As a parliamentarian, I am sure you have a point of view on this, and we'd be happy to hear your point of view.

Mr. Pat Kelly: How much time do we have left?

The Chair: You have about a minute.

Mr. Pat Kelly: Dan, I think, has a question.

Mr. Dan Albas: Yes. Thank you again, Mr. Chair and Mr. Kelly.

Minister, you added the common reporting standards onto credit unions, and they're complying. When I talk to many credit unions, they say they find that the FINTRAC, because they were added in in terms of compliance, has been very burdensome.

You appointed the new director for FINTRAC. She has come to this committee, and she has said that she's going to work on this. Are you going to help support her in order to make the regime better and less burdensome on the small credit unions? Oftentimes they are the only financial institutions in rural areas.

Hon. Bill Morneau: I think you've heard us, right up to the Prime Minister, say that we think better is always possible. To the extent we can improve a situation, we will certainly try to do that.

Mr. Dan Albas: I mean "better", not adding more. We're talking about a good review and looking less.... She has said that publicly. You appointed her through the Governor in Council. It was your recommendation. Are you going to work with her on that?

Hon. Bill Morneau: I understood the question the first time. Yes, I can confirm that we are going to try to continually improve.

The Chair: Go ahead, Mr. Grewal. This is the last question.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for coming here today.

A lot of Canadians sitting at home are playing by the rules. They're working hard, and they want to ensure that everybody plays by the rules and is working hard. We've obviously seen that there is a negative impact on our economy from money laundering. I think a lot of people don't understand the sophistication behind money laundering. Most people just open a bank account and do their transactions without having any fear that their information will be shared with FINTRAC.

Can you in very simple terms walk us through how something would be tracked by a financial institution, passed to FINTRAC, and then tell us at what threshold it might be passed on to the authorities?

The Chair: To the extent that you'd like a detailed walk-through, I think I'll ask Annette—

Mr. Raj Grewal: I don't need a detailed one, just a high-level one, so that most Canadians could understand how this legislation even works in the first place.

Hon. Bill Morneau: At a very high level, clearly what we're trying to do is make sure that suspicious activity is considered, so we don't allow that activity to move forward if it's going to result in potential money laundering or terrorist financing, as we're talking about here.

As we know, it's not easy to get to these conclusions. One important threshold we've chosen is the $10,000 threshold. What I know to be the case is that it's an important threshold, but it's not the only thing we need to consider, because there are certainly activities that have gone on around the world in terrorist financing that have been funded through sources that were under $10,000 or through multiple sources that came together. Therefore, it can't be the only threshold. We need to think not only in a purely objective way but also with some level of subjectivity about how we can ensure we get to conclusions that protect Canadians.

We're trying to work to get to that balance. I think at a high level what I'd want Canadians to know is that we see this as an area where we have to have continued vigilance. We can put in thresholds that allow us to review activities that go on outside those thresholds. We will need to continually think about how we update our rules to protect us, considering privacy at the same time, because we don't want to inappropriately capture people who are just leading their life normally.

However, these threats are real. We've seen them in countries around the world. We should not think we're immune to the potential of bad actors who might be seeking to disrupt our way of life.

● (1335)

Mr. Raj Grewal: Mr. Chair, I'm going to cede the rest of my time.

[*Translation*]

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Mr. Chair.

Thank you for being here, Mr. Minister.

The banks have been making efforts to combat money laundering for a long time. The principal objective of the banking sector has been to work on preventing, detecting and identifying all criminal and terrorist activity, while protecting the privacy of their honest clients.

How does the government intend to exchange information with the parties involved while protecting Canadians' privacy?

Hon. Bill Morneau: That is the goal. We always have to assess whether the rules need to be changed, while making sure that people's personal information is protected.

That is why your committee's opinion and recommendations are very important. You have been able to speak with more than 100 experts. We really are all ears as to your recommendations on the changes that we have to make in order to achieve that goal.

Mr. Angelo Iacono: Thank you, Mr. Minister.

[*English*]

The Chair: Okay. That ends it for questions.

We'll get to the officials in a second, but there are a couple of points that maybe your officials will want to consider. We have heard, both here and on the road, that simplifying compliance was a big concern. One of the witnesses we heard in New York talked about having a user-friendly reporting system with just a drop-down menu and a check box. Those are some things that need to be thought about.

We heard a lot about securities, and we heard from the U.S. and in our meetings with our folks in Canada that our folks don't take the securities issue seriously enough in terms of money laundering. That would be a second point.

Trade transparency was a third, in that when something is imported into a country and then exported, there's different documentation and the numbers don't match.

Geographic targeting is used a fair bit in the U.S., and it led to some big findings.

Both sides mentioned trusts and layers of trusts.

The last one, beyond what's already been said, is that sharing of information is crucial, especially among banks. Currently, if somebody is doing not above-board work and is shut off by one bank, he just moves down the street to another. There has to be a way of finding that information somehow, and then you have to balance all of that against privacy.

Those are other thoughts that weren't mentioned by committee members but that we certainly heard on the road.

With that, Mr. Minister, I know you're on a tight time schedule and that we're a little over that. Thank you very much for your presentation.

We'll take a one-minute break and bring the rest of the officials forward.

Hon. Bill Morneau: Thank you very much.

The Chair: Could the officials, Mr. Maxime Beaupré and Mr. Wright, please come forward?

We only have 19 minutes at the most.

●

——————————— (Pause) ———————————

●

● (1340)

Mr. Pierre-Luc Dusseault: Yes, of course.

The Chair: Okay. Go ahead.

We'll go to three-minute rounds so that people can get a question in.

[*Translation*]

Mr. Pierre-Luc Dusseault: I still find the minister's answer on beneficial ownership a little surprising. He meets with the provincial finance ministers, but seems not to have taken a position on the issue. They have talked about it, and moved forward one step, but the Department of Finance has taken no position during the current talks. It is simply listening.

Ms. Annette Ryan: If I may, I will respond in English.

[*English*]

The minister's comments are respectful of the dialogue he continues to have with provincial and territorial counterparts, which go towards what is essentially very timely progress on this issue. The first step, which was the basis of the December agreement of last year, would put in place the legal specifications that give us the granularity to facilitate a discussion of what it would take to create a registry.

If you think about the concept as being an IT project that could span federal and provincial and territorial jurisdictions, that aspect of proceeding lets people all agree on what we're talking about in terms of what information we mean and to harmonize and standardize it to the extent possible. We could then have a discussion about how you could collect it and who should have access to what types of information.

That is a logical way to proceed, and I would point to the leadership he's brought to that discussion as having gotten us to that first step. We continue towards it.

[*Translation*]

Mr. Pierre-Luc Dusseault: I understand.

Earlier, I did not have the time to ask the minister about cryptocurrencies. The department also identified this as an at-risk sector.

Why has nothing been done on this issue up to now, especially in terms of trading? We have heard that certain countries have regulated cryptocurrency trading, that is, going from real currency, fiat currency, to virtual currency?

Why, up to now, has Canada not regulated trading between real currency and virtual currency?

[*English*]

Ms. Annette Ryan: I'm happy to report to the committee that the government has taken an important step in this space. On June 9, we pre-published comprehensive regulations that target exactly this issue. The regulations that are now before the Canadian public for consultation would essentially do just that: they would specify that dealers in virtual currency, who are now defined for the first time in Canada in legal detail, would be treated in essentially a parallel way as other money service businesses.

To respond to specific elements of your question, this would govern the point of exchange from crypto-currencies into fiat currency and also exchanges in the crypto-to-crypto space, on which I know you've been taking testimony from many witnesses.

The Chair: Thank you all.

Go ahead, Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you very much.

It might be helpful if that can be passed on to the clerk so we have it specifically for all members.

I want to ask more of a technical question. We have the STRs, the suspicious transaction reports with FINTRAC, and FinCEN has SARs, the suspicious activity reports. There was significant testimony we heard in the U.S. from various stakeholders who appreciated how much easier the SARs in the U.S. were and how much more effective they were. We had testimony from someone who reports both in the U.S. and in Canada and specifically knows both systems.

From a technical standpoint, has the department looked at the SARs in the U.S. and looked at making some technical changes to the forms we have to make them more user-friendly? As well, if individuals at these institutions who should be reporting don't understand how to report, are we worried that they're spending more time? We had testimony from an individual who, every time he had to fill out an STR for Canada, had to refer back to pages and pages of a manual on how to do it, while the SARs in the U.S. took 15 minutes.

● (1345)

Ms. Annette Ryan: This is a very important question, and I'm glad to have a chance to speak to it today.

The way the U.S. is able to simplify that initial reporting for SARs and then subsequently allow their authorities to go back to banks is really effective, and it is good in terms of reducing burden. It is different from the situation in Canada because of the way that our Charter of Rights and Freedoms is structured. Specifically, sections 7 and 8 of the charter are really quite pertinent here, and they speak to search and seizure, the rights of Canadians, and how their information could or should not be used in prosecuting them. That's something that prevents us from being quite like the U.S.

Can we do better in that space? We have a range of discussions under way right now with Canadian financial institutions as well as with different parts of the academic world. The Royal United Services Institute in the U.K. has been working with us and the private sector to look at best practices from other countries that would align with our charter. We're very much seized with that and we look forward to thoughts and advice from the committee.

You raised two other points. One was on user-friendliness and how we can take in information from any number of private sector entities through alignment with their IT systems. I believe you heard the director of FINTRAC saying that's something we understand, and that goes to doing a range of work to be able to take in that information in a way that aligns with businesses.

Then the third point of communicating better with businesses as to what their requirements are—the how, why, etc.—is also very much within the objective set of our FINTRAC colleagues.

The Chair: Go ahead, Mr. Albas.

Mr. Dan Albas: Thank you, Mr. Chair.

I want to thank each one of you for the work you do every day. We appreciate your expertise at the committee.

Your department has published a paper with regard to our work, which has been very helpful, and I know that you have to work with the government if there are going to be any legislative changes, so I'm not going to ask you at this point about any of them, but right now Canadians are under obligations on sanctions, for example. If a group or a person has been named under our economic sanctions and a financial institute or someone who is under the anti-money laundering and anti-terrorism funding regime works with them, that could be punishable under a variety of different statutes. It's the same, obviously, with the anti-terrorism compliance.

One of the challenges we've heard—these are the current rules—is there is no consolidated list. Global Affairs handles some of the sanctions. You handle some other ones. Is there no ability for your department to work productively within current laws to make this easier, so that people who are working in this industry every day can quickly and accurately check to see if the people they are dealing with are not going to get into trouble?

● (1350)

Ms. Annette Ryan: That's a very important question.

The government recently provided important new resources to Global Affairs Canada, which leads on sanctions, to establish the right teams and experts and so on to do essentially that. They will support the sanctions regime in a much more practical, tangible, concrete way with the right information conveyed in the right way, with exactly that objective.

Mr. Dan Albas: Mr. O'Toole raised the point that with Bill C-59 there are more hurdles now for departments to be able to share information. Does that work against the ability to have a consolidated list?

Ms. Annette Ryan: That is not a bill that we led on. Ian, you have a greater touch point with that.

Mr. Ian Wright (Director, Financial Crimes Governance and Operations, Department of Finance): Bill C-59 was SCISA, the ability to share information. You obviously have to talk to Public Safety or the lead for that piece of legislation, but our understanding is that the changes didn't limit it. I think it pulled one agency off, but it certainly did not impact FINTRAC or our ability to use SCISA to exchange information.

On the question on sanctions, that's more public information anyway. It's a listing that will come out through due process, and we'd have to talk to our Global Affairs colleagues, but I don't think it would be a SCISA type of national security threat issue.

Mr. Dan Albas: I would certainly hope so. I appreciate your listening.

The Chair: Thank you.

Mr. Dan Albas: That's it?

The Chair: That's it. Three minutes go fast, but you never know; we might get around to you again.

Mr. Sorbara is next.

Mr. Francesco Sorbara: Thank you, Mr. Chair. I'll try to keep it quick.

How can we ensure that when FINTRAC is dealing with some of our smaller institutions, namely credit unions, we're not over-burdening smaller financial institutions with compliance just for the sake of compliance?

Ms. Annette Ryan: That's a great question. It goes to the efforts of FINTRAC officials to make sure that the communication to institutions and the means by which they receive information are commensurate. It goes to an important objective, however, which is that we not leave blind spots, essentially, in our overall regime that would then become the target for money launderers to exploit. Again that word "balance" comes up, and that is what we're seeking.

Mr. Francesco Sorbara: One of the really good things we heard on our visit to New York City, specifically with FinCEN, was this idea of GTOs, geographic targeting orders, which they utilize.

Do we have a similar type of program? It seems to have been very effective on their part. They seem to have a lot more tools at their disposal, if I can use that term. Please correct me if I'm wrong. If we do have a program similar to the GTOs, have you any details, and if we don't, why don't we?

Ms. Annette Ryan: I think your question touches on the answer. The Americans don't have as many tools in the real estate sector as we do, so they use the geographic targeting orders as almost a complement to some of the areas where they don't have the tools that we do.

That said, we are interested in it as a policy tool that we don't currently have within the regime. It goes to the question of whether we can practically target attention to areas where we think there might be more risk than others. We explore that to a certain extent in our paper, and we look forward to the committee's thoughts.

Mr. Francesco Sorbara: Thank you.

The Chair: We'll go to Mr. Dusseault and then Mr. Grewal.

[*Translation*]

Mr. Pierre-Luc Dusseault: I would like to take advantage of the time I have left to briefly return to an issue raised earlier, that of having one's bank account closed. We have heard that the American authorities could ask that accounts remain open. They could even compensate and protect the banks from dangers they are exposing themselves to by retaining bank accounts that are so suspicious.

Do we have the same system in Canada? If not, is it something to consider? Is it an issue that the committee should look into?

● (1355)

[*English*]

Ms. Annette Ryan: I would say it isn't the same regime in Canada. However, there is a similar set of objectives and pressures.

First of all, on the question of de-banking individuals, there are essentially two important questions. One is the social aspect of not having people removed from access to banking for any number of social reasons. There's also the security aspect of not pushing people essentially into the shadows to the extent that they move further away from the formal banking system, which brings its own set of risks. We very much want to get that balance right and avoid de-banking people who absolutely should have access to the banking system.

Part of that goes to being ever more specific and rigorous in terms of what constitutes suspicious transactions and achieving that burden of proof. That's very much the case.

On the second portion of your question, which speaks to how we can work with the different institutions, I'll turn to Maxime.

[*Translation*]

Mr. Maxime Beaupré (Director, Financial Crimes Policy, Department of Finance): We have already heard about this issue. Financial institutions and law enforcement have told us that they are feeling this pressure. So we are looking into the issue.

You have heard testimony on this issue, and you travelled abroad to study it. If you have any advice for us, we would certainly be willing to hear it.

There is clearly a problem here. First, institutions have to meet their obligations when they suspect suspicious transactions, and, second, we must make law enforcement's job easier. So it's quite complex, but we are certainly willing to hear your suggestions on the matter.

Mr. Pierre-Luc Dusseault: I mentioned the compensation that would be given to the banks. We were told that a letter was sent to a bank to ask it to keep an account open, and that it would be protected if ever a problem should arise. Are we currently doing anything similar in Canada?

Mr. Maxime Beaupré: No, we do not do that, to my knowledge.

[*English*]

The Chair: Mr. Grewal will be the last questioner.

Mr. Raj Grewal: Thank you, Mr. Chair.

Thank you to the officials.

Would there be a scenario in which a financial institution would provide what they think is a suspicious transaction to FINTRAC, FINTRAC would launch an investigation, but the individual account holder would never know that this was taking place?

Ms. Annette Ryan: One point that's important to keep in mind is that FINTRAC doesn't have investigative powers. It does have a requirement to monitor the overall system of transactions or suspicious transactions. When there is a sufficient standard of concern that's been met, it does pass that information to law enforcement or tax authorities or other competent authorities, who then follow the standard procedures of investigation in Canada. Just as it would be if a neighbour saw suspicious activity and reported it to the RCMP or other police, then all of the normal rights and protections do come into play in a very similar way.

The Chair: Go ahead, Mr. Beaupré.

Mr. Maxime Beaupré: I just wanted to add on the notion you raised when you used the term "investigation".

As Ms. Ryan pointed out, FINTRAC doesn't do investigations. However, there might be investigations down the line if FINTRAC reaches a threshold and discloses information to law enforcement. For that reason, there's actually a prohibition—and I can't recall if it's in the act or in the regulations—called "no tipping off". Basically, financial institutions have to be careful not to tip off a person on whom they are filing a suspicious report, because down the line it could lead to an investigation. Therefore, it is quite possible that the client will not know that they're doing something that may be legal or not. It may look suspicious to the bank, and the bank will provide this information to FINTRAC.

● (1400)

The Chair: Okay, we will have to stop there. Thank you to the witnesses.

Seeing as this is the last meeting of the finance committee into the immediate future at least, on behalf of the committee, we certainly want to thank the clerk, the analysts, the interpreters, and the Hill staff who make these committees function. Certainly we want also to thank the staff of all the parties who try to keep their members on their toes. Staff around here definitely work long hours to help us out.

To members, thank you for your work over the last several months. I hope you have a good opportunity to spend some time with your families.

With that, the meeting is adjourned.

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